

Grace Church in the Mountains Endowment Fund Policies and Guidelines

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ENABLING RESOLUTION

ESTABLISHING A GENERAL ENDOWMENT FUND FOR GRACE CHURCH IN THE MOUNTAINS WAYNESVILLE, NORTH CAROLINA

1 WHEREAS, Christian stewardship involves the faithful management of all of God’s gifts – time,
2 talent, the created world, and money, including accumulated, inherited and appreciated assets;
3 and

4 WHEREAS, Christians can give to the work of the Church through a variety of gift vehicles, in
5 addition to cash, including bequests in wills, life income gifts, annuities, trusts, life insurance
6 policies, real estate, securities and other assets; and

7 WHEREAS, it is the desire of this parish to encourage, receive and administer these gifts in a
8 manner faithful to the loyalty and devotion to God expressed by the donors and in accord with
9 the canons of the Episcopal Church and the Diocese of Western North Carolina and the policies
10 of this Parish:

11 THEREFORE BE IT RESOLVED, that this Parish, through action of its Vestry, establishes a
12 new and separate fund to be known as “The Grace Church in the Mountains Endowment Fund”
13 (hereafter called the “FUND”) of Grace Church in the Mountains, 394 North Haywood Street,
14 Waynesville, North, Carolina 28786 (PARISH).

15 BE IT FURTHER RESOLVED that the purpose of the Endowment FUND is to enable the
16 PARISH to fulfill its mission more completely by developing its ministries beyond what is
17 possible through its annual operating funds. Distributions from the fund shall be limited to: (i)
18 capital improvements of the PARISH; (ii) outreach ministries and grants; (iii) and undesignated
19 monies that may be used as seed money for new ministries and/or special one-time projects,
20 and/or for other purposes congruent to the PARISH’s mission and subject to Vestry approval.

21 BE IT FURTHER RESOLVED that the distributions from the FUND shall not be made to the
22 operating budget of the PARISH except to fulfill the purposes described above (*see end note 1*).

23 BE IT FURTHER RESOLVED that the FINANCE COMMITTEE (hereafter called the
24 “COMMITTEE”) shall have oversight responsibility of the FUND and its composition and
25 duties are described in the following “Plan of Operation,” which may be amended from time to
26 time (see paragraph 13).

PLAN OF OPERATION

1. Composition of the COMMITTEE

27 The composition of the Finance COMMITTEE, one of the Standing Committees of the Parish,
28 is outlined in the Bylaws of Grace Church in the Mountains, Article 5, Section 8. The Vestry
29 appoints and charges each standing committee.

2. Roles of the COMMITTEE (*see end note 2*)

30 The COMMITTEE will manage the invested funds and oversee distributions from the FUND in
31 compliance with the approved Spending Rule (*Section B*) and in accordance with the purposes and
32 distribution policies defined in this resolution.

3. Quorum

33 A quorum shall consist of a majority of the COMMITTEE. The affirmative vote of a majority
34 shall be necessary to carry any motion or resolution.

4. Officers and Duties

35 The COMMITTEE shall elect from its membership a chairperson and a secretary. The
36 chairperson, or member designated by the chairperson, shall preside at all COMMITTEE
37 meetings. The secretary shall maintain complete and accurate minutes of all meetings of
38 the COMMITTEE and supply a copy thereof to each member of the COMMITTEE. Each
39 member shall keep a complete set of minutes to be delivered to his or her successor. The
40 secretary shall also supply a copy of the minutes to the Vestry in a timely manner. The
41 Treasurer of the Parish shall maintain complete and accurate books of account for the
42 FUND. The books will be audited as part of the Parish annual audit.

5. Reports

43 The COMMITTEE shall report on a quarterly basis to the Vestry and, at each annual meeting
44 of the congregation shall render a full and complete account of the administration of the
45 FUND during the preceding year.

6. Professional Counsel

46 The COMMITTEE, at the expense of the FUND, may provide for such auditing, professional
47 counseling on investments or legal matters as it deems to be in the best interests of the
48 FUND.

7. Investments

49 All funds will be invested in accordance with the investment guidelines established in the
50 Investment Policy Statement (*Section A*).

8. Funds for Specific Purposes

51 The Vestry has established three sub-accounts within the FUND for specific purposes. The first
52 sub-account is for capital and property improvements for the PARISH. The second sub-account
53 is for outreach ministries and grants. The third sub-account is undesignated.

9. Liability of COMMITTEE Members

54 Each member of the COMMITTEE shall act in good faith regarding the investment of the
55 assets. Each member shall be liable only for his/her own conduct and shall not be liable for the
56 acts or omissions of any other members. No member shall engage in self dealing or transactions
57 with the FUND in which the member has direct or indirect financial interest and shall at all times
58 refrain from any conduct in which his/her personal interests would conflict with the interests of
59 the FUND.

10. Holding of Assets, Action to Sell

60 All assets are to be held in the name of the Endowment Fund of Grace Church in the Mountains .
61 Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other
62 respects, to manage and control the assets of the FUND, including stocks, bonds, mortgages,
63 notes, warrants of other securities, are to be made by a delegated member of the COMMITTEE
64 on behalf of the COMMITTEE.

11. Acceptance of Gifts to the Endowment Fund

65 Gifts to the Endowment must be accepted by in accordance with and subject to the Gift
66 Acceptance Policy set forth by the Vestry. Guidance for decisions as to whether a gift to the
67 FUND or to the Parish shall be accepted is set forth in *Section D*.
68

12. Distributions from the Fund

69 It is the intent of this resolution that the FUND shall be managed in perpetuity as a true
70 endowment. BE IT FURTHER RESOLVED that the distributions from the FUND shall not be
71 made to the operating budget of the Parish except to fulfill the purposes described in this
72 resolution with one exception. In the event that the Parish is in dire circumstances, meaning its
73 viability as a continuing church is in jeopardy, the Vestry may use both income and principal of
74 the unrestricted endowment for the operating needs of the Parish following a two-thirds vote of
75 the Vestry at two successive meetings, said meetings being at least one day apart. Before the
76 first vote of the Vestry is called, however, a parish-wide meeting explaining the dire
77 circumstances must be called following the notification guidelines set forth in Article 3 section 3
78 of the Parish Bylaws, requiring 14 days of advanced notice.

79 The COMMITTEE shall formulate a policy defining the spending rules and protocols
80 (Section B) with the approval of the Vestry. The policy will provide for the withdrawal and
81 use of funds consistent with the stated purposes of the FUND as defined in the first section
82 of this Resolution. No portion of the FUND shall be “borrowed” including any “temporary
83 usage” for other needs of the Parish.

84 *Note: A true endowment is established if a donor makes a gift and restricts it to the Endowment*
85 *Fund, often defining its use. If the Parish promotes its Endowment Fund and receives gifts of any*
86 *size for the Fund, those funds are equally restricted. If a purpose is announced and donors give*
87 *to an Endowment Fund for a named purpose, the funds are restricted as to purpose as well. If the*
88 *Parish receives an unrestricted bequest that is placed in the Endowment Fund, or if the Vestry*
89 *decides to put excess funds into the Endowment, those funds remain unrestricted. This part of the*
90 *Endowment Fund can be spent down by the Vestry within the established distribution rules. This*
91 *is considered a “quasi” or unrestricted endowment.*

13. Amendment of this Resolution

92 Any amendment to this Resolution shall be adopted by a vote of at least two-thirds (2/3) of the
93 membership of the Vestry at two consecutive, regularly scheduled meetings. Any amendment
94 regarding the use of the corpus of the unrestricted endowment shall be handled within the above-
95 established distribution rules.

15. Disposition or transfer of FUND

96 In the event the PARISH ceases to exist, whether through merger, dissolution, or some
97 other event, disposition or transfer of the FUND shall be at the discretion of the Vestry in
98 conformity with the approved Parish Bylaws and in accord with diocesan canons and the
99 Bishop of the Diocese of Western North Carolina. It may be appropriate to consult with the
100 Episcopal Church Foundation to determine the manner in which Fund obligations will be
101 met after the PARISH ceases to exist.

102 The foregoing resolution is hereby adopted by the Vestry this X day of Y
103 2019.

104
105

106 Grace Church in the Mountains
107 Waynesville, North Carolina

Attest:

108 _____ (print name) _____

109 _____ (signature) _____

110 Senior Warden

Clerk

ENDOWMENT FUND POLICIES AND GUIDELINES
FOR
GRACE CHURCH IN THE MOUNTAINS
WAYNESVILLE, NORTH CAROLINA

SECTION A
Investment Policy Statement

Purpose

111 This Investment Policy Statement establishes the philosophy, guidelines and investment
112 objectives for managing the investments of the FUND.

Responsibility

113 The ultimate responsibility for managing the FUND resides with the Vestry which has chosen to
114 delegate portions of its responsibility to the COMMITTEE, which will administer the portfolio
115 of the FUND in accordance with these guidelines, as adopted and amended from time to time.
116 These guidelines shall be reviewed at least annually by the COMMITTEE to determine whether
117 they should recommend to the Vestry amendments to the guidelines or remain unchanged. The
118 COMMITTEE may choose to employ an outside investment manager.

Objectives

119 The assets of the FUND are to be invested within five business days of the Vestry meeting
120 accepting the gift with the same care, skill and diligence that a prudent investor would exercise
121 in investing institutional endowment funds. The primary objective will be to provide long-term
122 growth of principal and income without undue exposure to risk.

Investment Guidelines

Time Horizon

123 The FUND'S investment objectives and strategic asset allocation are based on a long-term time
124 horizon.

Risk Tolerance:

125 Because of its long-term time horizon, the FUND can tolerate some interim fluctuation in market
126 value and rates of return in order to achieve its objectives. High level risk, high volatility and
127 low-quality rated securities, however, are to be avoided.

Prohibited Investments:

128 The COMMITTEE shall not invest in private placements, restricted stock or other illiquid issues,
129 commodities' futures, arbitrage and other uncovered options, and shall not engage in short sales,
130 margin transactions or other similar specialized investment activities; however, the use of funds
131 that use these investment activities in a constructive manner are permitted.

Portfolio Diversification:

132 The investment objectives should be achieved through a diversified portfolio, which may include
133 but is not limited to, large-cap, mid-cap, small-cap U.S equities, international equities (both
134 developed and emerging markets), bonds and cash. Mutual funds, common trust funds, exchange
135 traded funds, and notes representing any of these asset classes may be used.

Investment Discretion:

136 These guidelines are not intended to restrict or impede the efforts of the COMMITTEE to attain
137 the FUND’s objectives, nor are they intended to exclude the COMMITTEE from taking
138 advantage of appropriate opportunities as they arise. The COMMITTEE shall have discretion
139 and flexibility to implement the objectives and policies herein set forth.

Asset Allocation

140 Because securities markets may vary greatly throughout a market cycle, the COMMITTEE may
141 change the asset mix of the FUND as long as that mix meets the overall objectives and is
142 consistent with the policy guidelines herein set forth. The FUND shall be allocated between
143 equity investments and bonds and/or other fixed income securities, including but not limited to
144 annuities.
145

Investment Goals

146 The COMMITTEE will accept a risk level for the FUND’s overall investment program that is
147 intended to produce a total annual return adequate to cover these components: expenditures from
148 the FUND (as determined annually by the COMMITTEE under the Spending Rule Policy),
149 inflation and growth of the FUND.

Reporting

150 The quarterly report provided by the COMMITTEE to the Vestry will include the fund value,
151 any changes in the asset allocation strategy, and the investment performance. The report shall
152 reflect compliance with the objectives, policies and guidelines set forth herein.

SECTION B
Spending Rule Policy

153 Money will be distributed from the FUND upon approval of the Vestry following the
154 recommendation of the COMMITTEE for those uses which conform to the purposes and
155 restrictions established in the Enabling Resolution.

156 Funds available for distribution will be determined by using a total return principle, i.e., return
157 derived from dividends and interest as well as realized and unrealized capital gains (see end note
158 3). The funds available for distribution during any one year will be limited to a percentage of the
159 market value of the corpus that is based on a three-year rolling average, with measures taken at
160 the end of each of the preceding twelve quarters (see end note 4). The first two years of this Fund
161 will be limited to 80% of the year-end Fund value. The market value for this purpose will be
162 taken net of the fees for investment management.

163 The percentage of the FUND made available for distribution shall normally fall in the range of
164 three to five percent but shall be determined each year by the Vestry taking into consideration the
165 recommendation of the COMMITTEE. In so doing, market performance of the portfolio will be
166 an important consideration. It will be the goal of the COMMITTEE to grow, or at least maintain,
167 the purchasing power of the FUND taking inflationary effects into account.

168 Any unexpended funds from those available for distribution in a given year will be accrued and
169 will continue to be considered available for distribution in subsequent years unless otherwise
170 designated by action of the COMMITTEE with the approval of the Vestry. Expenses related to
171 the management and administration of the FUND will be deducted from the funds available
172 for distribution.

SECTION C *Disposition of Bequests Policy*

173 This policy statement governs the disposition of *bequests* which, for purposes of this statement,
174 will mean any type of gift in which the assets are transferred upon the death of the donor. The
175 assets may be in any form, such as cash, securities, personal property, real property, etc.

176 The bequest may identify the beneficiary in one of two general ways: *Grace Church in the*
177 *Mountains Episcopal Church of the Episcopal Diocese of Western North Carolina* or some other
178 wording such as *Grace Church in the Mountain, Waynesville, North Carolina*; or *The*
179 *Endowment Fund of Grace Church in the Mountains* or similar wording.

180 Bequests with **Grace Church in the Mountains** as beneficiary can be of two general types:

181 **a. Restricted:** The donor may identify a sub-account to which funds should be directed, either
182 outreach or capital improvements/ property preservation. The Vestry will guarantee that the
183 use(s) to which those funds are applied is faithful to the donor's wishes. The funds may be
184 directed to their designated purpose(s) either as an endowment, in which case they join one of
185 the sub-accounts within the Endowment Fund, or by direct expenditure of the funds through the
186 Treasurer of the Parish, upon approval of the Vestry.

187 **b. Unrestricted:** The expectation is that such a bequest will be transferred to the Endowment
188 Fund. Such transfers are intended to be held in perpetuity. This policy specifically
189 acknowledges that from time to time truly extraordinary needs of the Parish may arise to
190 necessitate an exception to this policy.

191 In such instances the following procedure will apply:

192 The Rector and Wardens of the Parish will assess the particular circumstances giving rise to a
193 perceived need to make an exception to the policy. Such circumstances should be judged to be
194 truly extraordinary and that no other financial resources of the Parish are available or are
195 expected to become available in time to fulfill the urgent need. If an exception is deemed
196 appropriate, the Rector and Wardens will make a recommendation. Final authority for granting
197 such an exception to the policy will rest with the Vestry.

198 Bequests designating the **Endowment Fund** as beneficiary are automatically transferred to the
199 Endowment Fund and appropriate sub-account upon acceptance (outreach, capital
200 improvement/property preservation or undesignated).

SECTION D *Gift Acceptance Guidelines*

Purpose

201 The gift acceptance policy of the Vestry provide general guidance to the Vestry of Grace
202 Church in the Mountains who are responsible for approving all gifts. These guidelines
203 supplement the the Vestry Gift Acceptance policy and are for representatives of Grace Church in
204 the Mountains who may be involved in the acceptance of gifts, to outside advisors who may
205 assist in the gift planning process, and to prospective donors who may wish to make gifts to
206 Grace Church in the Mountains. These guidelines allow for some flexibility on a case-by-case
207 basis. The gift review *process* outlined here, however, is intended to be followed closely.

Gift Approval

208 Any questions which may arise in the review and acceptance of gifts to Grace Church in the
209 Mountains will be referred to Vestry.

Cash

- 210 1) All gifts by check shall be accepted by Grace Church in the Mountains regardless of amount.
211 2) Checks shall be made payable to Grace Church in the Mountains. In no event shall a check
212 be made payable to an individual who represents Grace Church in the Mountains or the
213 church in any capacity.

Publicly Traded Securities

- 214 1) Readily marketable securities, such as those traded on a stock exchange, can be accepted by
215 Grace Church in the Mountains.
216 2) The value of the gift of securities is the average of the high and low prices on the date of the
217 gift.
218 3) A gift of securities to Grace Church in the Mountains is usually liquidated at the earliest
219 practical time after acceptance but no later than five business days following the Vestry
220 meeting accepting the gift.

Closely Held Securities

221 Non-publicly traded securities may not be accepted.

Real Estate

- 222 1) Any gift of real estate must be reviewed by the Vestry.
223 2) Normally, the donor is responsible for obtaining and paying for an appraisal of the property.
224 The appraisal will be performed by an independent and professional agent.
225 3) The appraisal must be based upon a personal visitation and internal inspection of the property
226 by the appraiser. Also, whenever possible, it must show documented valuation of
227 comparable properties located in the same area.
228 4) The formal appraisal should contain photographs of the property, the tax map number, the
229 assessed value, the current asking price, a legal description of the property, the zoning status,
230 and complete information regarding all mortgages, liens, litigation or title disputes.

- 231 5) Grace Church in the Mountains reserves the right to require an environmental assessment of
232 any potential real estate gift.
- 233 6) The property must be transferred to **Grace Church in the Mountains** prior to any formal offer
234 or contract for purchase is made.
- 235 7) In addition to appraisal costs, the donor may be asked to pay for all or a portion of the
236 following:
- 237 a) Maintenance costs
238 b) Real estate taxes
239 c) Insurance
240 d) Real estate broker's commission and other costs of sale
241 e) Attorney fees
- 242 8) For gift crediting and accounting purposes, the value of the gift is the appraised value of the
243 real estate. This value may be reduced, however, by the costs of maintenance, insurance, real
244 estate taxes, broker's commission and other expenses of sale.

Life Insurance

- 245 1) A gift of a life insurance policy must be referred to the Vestry.
246 2) Grace Church in the Mountains.
247 can be named a contingent beneficiary or the beneficiary of a percentage of a life insurance
248 policy
- 249 3) The vestry will accept **ownership** of a life insurance policy as a gift only if Grace Church in
250 the Mountains is named as the owner and beneficiary of 100% of the policy.
- 251 4) If the gift is a paid-up policy, the value for gift crediting and accounting purposes is the
252 policy's interpolated terminal reserve.
- 253 5) If the policy is partially paid-up, the value for gift crediting and accounting purposes is the
254 policy's cash surrender value. (For IRS purposes, the donor's charitable income tax deduction is
255 equal to the interpolated terminal reserve, which is an amount slightly in excess of the cash
256 surrender value.)

Tangible Personal Property

- 257 1) Any gift of tangible personal property shall be referred to the Vestry prior to acceptance.
258 2) Gifts of jewelry, artwork, collections, equipment and software shall be assessed for their
259 value to Grace Church in the Mountains. Their value may be realized either by being sold or
260 used in connection with the parish's exempt purpose.
- 261 3) Depending upon the anticipated value of the gift, a qualified outside appraiser may be asked
262 to determine its value.
- 263 4) Grace Church in the Mountains shall adhere to all IRS requirements relating to valuation and
264 disposition of gifts of tangible personal property and will provide appropriate forms to the
265 donor and IRS.

Deferred Gifts

- 266 1) Grace Church in the Mountains encourages deferred gifts in its favor through any of a variety
267 of vehicles:
- 268 a) Charitable gift annuity (or deferred gift annuity)
269 b) Pooled income fund
270 c) Charitable remainder trust
271 d) Charitable lead trust
272 e) Bequest

- 273 f) Retained life estate
274 2) Grace Church in the Mountains (or its agent) shall not act as an executor (personal
275 representative) for a donor’s estate. A member of the parish staff serving as personal
276 representative for a member of the parish does so in a personal capacity and not as an agent
277 of the parish.
278 3) Grace Church in the Mountains (or its agent) shall not act as trustee of any charitable
279 remainder trust.
280 4) Grace Church in the Mountains may invite prospective donors to consider gift vehicles
281 offered by The Episcopal Church Foundation (specifically, Charitable Remainder Trusts,
282 Charitable Gift Annuities and the Pooled Income Fund).
283 5) When donors are provided planned gift illustrations or form documents, these will be
284 provided free of charge. For any planned gift related documents, materials, illustrations,
285 letters or other correspondence, the following disclaimer should be included:

286 ***Grace Church in the Mountains strongly urges you to consult with your attorney,***
287 ***financial and/or tax advisor to review this information provided to you without charge***
288 ***or obligation. This information in no way constitutes legal or financial advice.***

- 289 6) All information obtained from or about donors/prospects shall be held in the strictest
290 confidence by Grace Church in the Mountains staff and volunteers. Neither the name, the
291 amount, nor the conditions of any gift shall be published without the express written or oral
292 approval of the donor and/or beneficiary.
- 293 7) Grace Church in the Mountains will seek qualified professional counsel in the exploration
294 and execution of all planned gift agreements. The Parish recognizes the right of fair and just
295 remuneration for professional services.
- 296 8) The Vestry reserves the right to decline any gift that does not further the mission of the
297 parish. Also, any gifts that would create an administrative burden or cause the Parish to incur
298 excessive expenses may be declined.

300 End Notes

301
302 Note 1: Using the return from endowment funds for annual operating expenses can cause a number of
303 problems. If the only purpose of the endowment fund is to supplement the annual operating budget of the
304 church, it often has a corrosive influence on annual stewardship and saps the vitality of the church’s
305 mission. If the annual budget depends upon the endowment to make ends meet, in years of market decline
306 there will be budget shortfalls or a strong temptation to dip into endowment principal.

307
308 Note 2: The COMMITTEE manages the investments, oversees distribution of the funds for the purposes
309 agreed upon, and makes sure that the rules are followed, but does not determine specifically how the
310 funds will be used. That is a vestry decision.

311
312 Note 3: A “total return” spending policy establishes value based on income, dividends, **and** capital
313 appreciation (depreciation). An “income only” policy considers only the interest earned and dividends
314 paid.

315

316 Note 4: Some churches use a five-year rolling average to smooth out the ups and downs of the market.
317 Churches just starting out that do not have a multi-year average sometimes apply their spending rule to
318 80% or 90% of the first year net average value.
319